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FROM THE U.S. MISSION TO THE UN AGENCIES IN ROME

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E.O. 12958: N/A

TAGS: [AORC](#) [ABUD](#) [UNIDROIT](#)

SUBJECT: MEETING OF UNIDROIT FINANCE COMMITTEE

REF: a) STATE 130425

1. Summary: the Finance Committee of the International Institute for the Unification of Private Law (UNIDROIT) met on June 15 to consider the organization's 2005 budget. U.S. did not block consensus on the proposed budget of 1.979 million euros, which represents a 4.2 percent increase over 2004 (however, due to several factors, assessed contributions for almost all member states increased only 1.65 percent). The organization is facing a long-term dilemma with several tasks that must be accomplished but few resources with which to work. The most important example is the hiring of a new Deputy Director General, which had to be delayed because of insufficient funding. Member states will have to be prepared to provide the necessary resources if demands continue to be placed on the organization. End summary.

2. U.S. Mission rep attended the June 15 Finance Committee meeting. Per ref guidance, U.S. made the following points: while we value the organization's work, our policy for international organizations remains zero nominal growth. While we can abide a small increase as a one-time exception to ZNG policy in recognition of the organization's high priority work, we must continue to urge the organization to exercise maximum budget discipline. While previously our ZNG call was echoed by other committee members, this time only the Brits expressed similar sentiments. Others, including Italy, Germany and Spain, voiced their support for increased assessments. Italy in particular (the host country and largest contributor) chided other members for not contributing more, while Spain stated their support for a larger increase. The German rep said it was time to either "face facts" and fulfill the duties of the organization, or to "change the rules" and thereby reduce the requirements placed on UNIDROIT.

3. While some of this change in sentiment may be due to the very small (1.65 percent) increase in contributions sought for most member states for 2005 (see para 4 below), U.S. rep sensed a shift in attitudes from previous sessions. We believe this can be attributed to the following:

a. The organization is tiny, spending less than two million euros annually, so the amount of money we end up debating is relatively miniscule by comparison to other international organizations. Department has made no secret of the fact that we believe UNIDROIT is a bargain

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they do quality work for very little money.

b. The current Deputy Director General has been eligible to retire for some years and has been working full-time hours for half-time pay since 2000. While the organization and member states should have insisted that a new DDG and resources to pay him/her be found four years ago, that did not happen. The DDG will definitely be leaving this year, yet the organization has only half the money (or less) needed to hire a new one. Thus the decision to proceed was put off, and an interim solution found whereby the principal Research Officer will act as DDG until sufficient funding can be found.

c. The depositary function of the Cape Town Convention has been strongly supported by the U.S. and other member states. Yet thus far, the only way the organization can perform this function is to solicit voluntary contributions so an additional staff member can be hired (the U.S. contributed 110,000 dollars toward this effort), when in reality this is a function that should be a part of the regular budget. The favored candidate, an American, turned down the offer because the salary was too small.

d. A recognized step forward for the organization is the establishment of an electronic document library that can be accessed over the internet. The organization is being

forced to finance this project over a period of years because insufficient funds exist to buy the complete software program in one payment.

14. Why only 1.65 percent? At the March finance sub-committee meeting, the organization proposed a 12 percent increase in assessed contributions and was firmly rebuked, which surely made the Secretariat gun shy. In addition, the government of Italy decided to clear their arrears and increase their contribution. Finally, a re-evaluation of the units of account was done to bring the organization into line with a similar assessment done by the UN in 2003. This resulted in increased contributions

from several member states, allowing a more modest increase for others (the U.S. standing did not change).

15. Comment: this tiny international organization with only a few permanent staff makes a valuable contribution to U.S. industry in its effort to harmonize commercial laws of differing countries and has been strongly supported by the Department's Office of the Legal Advisor (L). Given the relatively small amount of funding necessary to enable UNIDROIT to carry out its designated functions, Mission believes it is worth considering as an exception to the mantra of zero nominal growth.

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